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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA

10 HM Electronics, Inc.,

11 Plaintiff,

12 vs.

13 R.F. Technologies, Inc.,

14 Defendant.
15

Case No. 12cv2884-BAS (JLB)

**Order Granting in Part and Denying
In Part Plaintiff's Motion for
Sanctions**

[ECF No. 101]

16 Presently before the Court is Plaintiff HM Electronics, Inc.'s ("HME") motion
17 seeking an award of expenses and sanctions against Defendant R.F. Technologies, Inc.
18 ("RFT") for failing to comply with Magistrate Judge William McCurine, Jr.'s January
19 27, 2014 Order (ECF No. 71). After careful consideration of all of the papers filed in
20 support of and in opposition to this motion, and the authorities cited therein, Plaintiff's
21 motion is **GRANTED IN PART**.

22 **I. Background**

23 This action involves Plaintiff HME's claims of economic damages and losses
24 arising from Defendant's alleged trademark and trade dress infringement of certain
25 "Drive-Thru Headset Systems." (ECF No. 1.) At issue is Defendant's production of
26 documents responsive to Plaintiff's first set of document requests. Defendant RFT
27 agreed to provide written responses and begin its rolling production of documents
28 responsive to Plaintiff's first set of document requests by October 18, 2013. (ECF No.

1 101-4 at 2.) Defendant began producing documents on November 25, 2013. (ECF No.
2 101-6 at 2.) Defendant began its rolling production of documents containing
3 proprietary and confidential information after the Court entered the protective order for
4 this action on December 6, 2013. (*Id.* at 3.) By January, 2014, Defendant RFT's
5 production of documents responsive to Plaintiff HME's first set of document requests
6 remained an outstanding discovery issue between the parties.

7 Pursuant to court order, the parties jointly lodged a letter with Judge McCurine's
8 chambers on January 22, 2014 containing an updated list of "outstanding issues
9 regarding RF Technologies' production of documents." (ECF Nos. 64, 101-15.) In
10 this letter, Defendant RFT expressly committed to producing certain documents. This
11 joint letter stated that, "[t]he parties request the Court's assistance in setting a
12 reasonable timeline for RF Technologies' production of the additional documents
13 described herein." (ECF No. 101-15 at 2.) On January 27, 2014, Judge McCurine
14 provided this timeline by ordering Defendant to "complete the outstanding document
15 production discussed during the conference no later than February 10, 2014." (ECF
16 No. 71.)

17 **II. The Instant Motion for Sanctions**

18 After Judge McCurine's January 27, 2014 Order setting Defendant's timeline to
19 complete its document production, Plaintiff filed the instant motion for sanctions
20 against Defendant. Prior to seeking sanctions, on Monday, February 10, 2014,
21 Plaintiff's counsel requested e-mail confirmation from Defendant's counsel that
22 Defendant's "document production will be completed today as Magistrate Judge
23 McCurine ordered." (ECF No. 101-18 at 3.) Defendant's counsel responded, "Emails
24 are being downloaded and placed on a flash drive. . . . They were sent in a large box
25 for delivery Tuesday." (*Id.* at 2-3).

26 On Tuesday, February 18, 2014, Plaintiff received documents from Defendant.
27 (ECF No. 101-19.) That same date, Plaintiff wrote a letter to Defendant that identified
28 outstanding documents the would still need to be produced to complete the production

1 ordered by Judge McCurine on January 27, 2014. (*Id.*) Plaintiff's counsel requested
2 an immediate response. (*Id.*)¹

3 On February 25, 2014, Magistrate Judge Ruben B. Brooks issued an order
4 directing the parties to meet and confer in person by February 28, 2014 regarding
5 compliance with Judge McCurine's January 27, 2014 Order, as well as on other
6 unresolved discovery issues. (*See* ECF Nos. 83, 84, 98-1, 98-2.) The parties met and
7 conferred as directed and lodged letter briefs regarding the same on March 4, 2014.
8 (ECF Nos. 98-1, 98-2.) On March 11, 2014, Judge Brooks concluded the parties'
9 dispute over, *inter alia*, compliance with the January 27, 2014 Order was "not suitable
10 for resolution at an informal discovery conference" and granted the parties leave to
11 "file a noticed motion on whatever discovery matters they determine appropriate."
12 (ECF No. 98.)

13 Plaintiff HME filed the instant motion for sanctions on March 20, 2014. (ECF
14 No. 101.) The motion is made on the grounds that Defendant RFT failed to comply
15 with the January 27, 2014 Order. By way of its motion, Plaintiff asks this Court to
16 (1) find Defendant in contempt of court, pursuant to Federal Rule of Civil Procedure
17 37(b)(2)(A)(vii), for failing to comply with the January 27, 2014 Order, (2) direct
18 Defendant to immediately produce all outstanding documents required by the Order,
19 and (3) impose prospective daily fines against Defendant until it complies with the
20 Order. Plaintiff also requests a mandatory award of expenses incurred as a result of
21 Defendant's failure to comply with the Order, pursuant to Federal Rule of Civil
22 Procedure 37(b)(2)(C).

23 **A. Legal Standard**

24 Federal Rule of Civil Procedure 37(b)(2)(A) sets forth a non-exhaustive list of
25 sanctions that may be imposed against a party who fails to obey a discovery order. For
26 purposes of Rule 37(b) sanctions, the term "order" is interpreted broadly. *Unigard Sec.*

27 ¹ Plaintiff's counsel also appears to have received a supplemental production
28 consisting of "e-mail promotions sent out by RFT" on February 20, 2014. (ECF No.
101-2 at 3-4 ¶18.)

1 *Ins. Co. v. Lakewood Eng'g & Mfg. Corp.*, 982 F.2d 363, 368 (9th Cir. 1992). So long
 2 as a party has “unequivocal notice that a court has asked that certain documents be
 3 produced[,]” the party may be sanctioned for failing to do so. *Id.* (citing *Henry v.*
 4 *Sneiders*, 490 F.2d 315, 318 (9th Cir. 1974)). Further, Federal Rule of Civil Procedure
 5 37(b)(2)(C) provides:

6 Instead of or in addition to the orders above [issuing sanctions] the court
 7 must order the disobedient party, the attorney advising that party, or both
 8 to pay the reasonable expenses, including attorney’s fees, caused by the
 failure, unless the failure was substantially justified or other
 circumstances make an award of expenses unjust.

9 Fed. R. Civ. P. 37(b)(2)(C). “[T]he burden of showing substantial justification and
 10 special circumstances is on the party being sanctioned.” *Hyde & Drath v. Baker*, 24
 11 F.3d 1162, 1171 (9th Cir. 1994). A finding of bad faith is not required for monetary
 12 sanctions under Rule 37. *Id.*

13 **B. Plaintiff Argues Defendant Failed to Produce Documents Subject to**
 14 **the January 27, 2014 Order**

15 As outlined below, Defendant violated the January 27, 2014 Order by not
 16 completing the document production ordered to occur by February 10, 2014.
 17 Defendant’s papers do not address the specific document production deficiencies
 18 outlined in Plaintiff’s motion. Instead, Defendant raises objections to production and
 19 labels the January 27, 2014 Order as obsolete. The January 27, 2014 Order is not
 20 obsolete, and Defendant should have addressed the issue before the Court – whether
 21 Defendant complied with the January 27, 2014 Order.

22 The record makes clear that the January 27, 2014 Order set a February 10, 2014
 23 deadline for Defendant RFT to complete its production of the documents listed in the
 24 parties’ joint letter dated January 22, 2014.² Plaintiff’s motion arises in part from
 25 Defendant’s failure to do so. The specific failures raised in Plaintiff’s motion follow.

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27 _____
 28 ² The Court notes that Defendant does not put forth evidence to contest Plaintiff’s evidence that
 at the January 27, 2014 conference, “the *only* thing discussed was the parties’ January 22nd joint letter,
 and a deadline for RFT to produce the documents identified in that letter.” (ECF No. 128-1 at 2 ¶4.)

1 First, Plaintiff contends that Defendant failed to produce its income statement
2 for 2010. Defendant represented to Judge McCurine for purposes of the January 27,
3 2014 Order that “RFT will produce income statements for years 2010, 2011 and 2012,
4 and 2013 if one has been prepared.” (ECF Nos. 101-1 at 4, 101-15 at 4.) In its
5 opposition, Defendant does not dispute Plaintiff’s contention or explain why its income
6 statement for 2010 was not produced. This failure violates the January 27, 2014 Order.

7 Second, Plaintiff contends that Defendant failed to produce a one month sample
8 of Defendant’s general ledger. For purposes of the January 27, 2014 Order, Defendant
9 represented to Judge McCurine that “RFT maintains a general ledger on a monthly
10 basis. . . . RFT will produce a one month sample of its general ledger.” (ECF No. 101-
11 15 at 3.) In its opposition, Defendant does not dispute Plaintiff’s contention or explain
12 why a one month sample of its general ledger was not produced. This failure violates
13 the January 27, 2014 Order.

14 Third, Plaintiff contends that Defendant failed to produce a one month sample
15 of Defendant’s inventory report. For purposes of the January 27, 2014 Order,
16 Defendant represented to Judge McCurine that “RFT maintains an inventory report.
17 RFT will produce a one month sample of its inventory report.” (ECF No. 101-15 at 4.)
18 In its opposition, Defendant does not dispute Plaintiff’s contention or explain why a
19 one month sample of its inventory report was not produced. As a result, the Court
20 concludes Defendant violated the January 27, 2014 Order.

21 Fourth, Plaintiff contends that Defendant failed to produce an Excel spreadsheet
22 summarizing Defendant’s repairs to HME ION IQ products and invoices. For purposes
23 of the January 27, 2014 conference, Defendant represented to Judge McCurine that
24 “RFT will produce an Excel spreadsheet summarizing repairs and invoices for HME’s
25 . . . ION IQ products.” (*Id.* at 5.) In its opposition, Defendant states that “it does not
26 electronically store invoices for sales of refurbished HME products, since they are
27 maintained in its Illinois warehouse.” (ECF No. 125 at 13.) The Court does not
28 understand this to mean that the promised Excel spreadsheet resides in the Illinois

1 warehouse, nor does it explain why an Excel spreadsheet summarizing repairs and
2 invoices for HME's ION IQ products was not produced as represented to the Court.
3 This failure violates the January 27, 2014 Order.

4 Fifth, Plaintiff contends that Defendant failed to produce an Excel spreadsheet
5 summarizing Defendant's invoices and repairs to products manufactured by Defendant
6 RFT and Panasonic. For purposes of the January 27, 2014 Order, Defendant
7 represented to Judge McCurine that "RFT will produce Excel spreadsheets
8 summarizing invoices and income received in connection with the repair of products
9 manufactured by the following: RF Technologies, Panasonic" (ECF No. 101-15
10 at 6.) Defendant does not dispute Plaintiff's contention or explain why the promised
11 Excel spreadsheets were not produced. This failure violates the January 27, 2014
12 Order.

13 Sixth, Plaintiff contends that Defendant failed to produce documents indicating
14 repairs made to RF Technologies, Panasonic and 3M products under warranty. (ECF
15 No. 101-1 at 8.) Relevant here is that Defendant represented to Judge McCurine that
16 "RFT counsel will ask RFT if it has documents showing which repairs to the above
17 products were made under warranty." (ECF No. 101-15 at 7.) During the parties'
18 February 28, 2014 meet and confer, Defendant's counsel did not agree that such
19 documents were missing from Defendant's production. (ECF No. 101-20 at 11
20 ("[Herrera:] documents indicating repairs made to R.F. Technology, Panasonic and 3M
21 products under warranty. [O'Leary:] Thought I sent it to you").) Plaintiff has not
22 sufficiently demonstrated that Defendant is withholding documents showing which
23 repairs to the relevant products were made under warranty. Based on the record, the
24 Court is not persuaded that Defendant violated the January 27, 2014 Order on this
25 issue.

26 However, Defendant does not address this purported discovery failure in its
27 Opposition. As a result, by **August 31, 2014**, Defendant's counsel is ordered to
28 provide Plaintiff's counsel with a sworn affidavit from Defendant made under the

1 penalty of perjury as to whether Defendant completed its production of documents
2 showing which repairs to the above products were made under warranty. If Defendant
3 did complete such a production, then the affidavit must identify Defendant's
4 production on this issue by Bates numbers and make a detailed showing as to whether
5 adequate searches were conducted in response to the January 27, 2014 Order, including
6 an explanation of the search terms, custodians, computer drives, or other locations
7 searched. If Defendant has yet to complete its production on this category, then it must
8 do so no later than **August 4, 2014**. If Defendant never possessed or no longer
9 possesses any responsive documents for this category, then the affidavit must
10 specifically state this fact and explain in detail why.

11 Seventh, Plaintiff contends that Defendant failed to produce all invoices to date
12 reflecting Defendant's sale of HME products. Specifically, Plaintiff does not have any
13 invoices beyond October 26, 2013. For purposes of the January 27, 2014 Order,
14 Defendant represented to Judge McCurine that "RFT has produced all invoices
15 reflecting RFT's sale of HME products." (ECF No. 101-15 at 7.) In its opposition,
16 Defendant does not dispute Plaintiff's contention or explain why the Plaintiff does not
17 have any invoices beyond October 26, 2013. Furthermore, during the parties' February
18 28, 2014 meet and confer, Defendant's counsel agreed to supplement its discovery
19 production and produce invoices from October, 2013 forward. (ECF No. 101-20 at 12-
20 13.) Thus, while this failure does not violate the January 27, 2014 Order, Defendant's
21 January 22, 2014 representation to the Court on this issue was false. Therefore, on or
22 before **August 4, 2014**, Defendant shall supplement its document production on this
23 category of documents through the present.

24 Eighth, Plaintiff contends that Defendant failed to produce the attachments to
25 correspondence from Defendant's counsel to the FCC. For purposes of the January 27,
26 2014 Order, Defendant represented to Judge McCurine that "RFT will produce the
27 attachments to correspondence from its counsel to the FCC." (ECF No. 101-15 at 10.)
28 During the parties' February 28, 2014 meet and confer, Defendant's counsel stated with

1 respect to the attachments: “We produced those. I think they may have been produced
2 after your [February 18, 2014] letter. I know they produced them because he sent them
3 to me.” (ECF No. 101-20 at 18.) Thus, the attachments were not produced by
4 February 10, 2014. Further, Defendant does not now dispute Plaintiff’s contention that
5 the attachments are missing, identify the attachments by Bates number or otherwise,
6 or explain why the Plaintiff still does not have the attachments. As a result, the Court
7 concludes Defendant failed to comply with the January 27, 2014 Order on this issue.

8 Ninth, Plaintiff contends that Defendant failed to produce invoices from and
9 payments to dealers and distributors from whom Defendant purchased HME products,
10 or a summary spreadsheet. For purposes of the January 27, 2014 Order, Defendant
11 represented to Judge McCurine that “RFT counsel will ask RFT if it can produce
12 invoices from and payments to the dealers and distributors, or a report reflecting the
13 information contained in those documents.” (ECF No. 101-15 at 14.) The evidence
14 before the Court is insufficient to determine to whether Defendant’s counsel failed to
15 take such action in response to the January 27, 2014 Order.³ As such, the Court does
16 not conclude that Defendant violated the January 27, 2014 Order on this issue.

17 However, Defendant does not address this purported discovery failure in its
18 Opposition. As a result, by **August 4, 2014**, Defendant’s counsel is ordered to provide
19 Plaintiff’s counsel with a sworn affidavit from Defendant made under the penalty of
20 perjury as to whether Defendant completed a production of its electronically stored
21 information containing the requested invoices from and payments to the dealers and
22 distributors, or a report reflecting the information contained in those documents. If
23 Defendant did complete such an electronic production, then it must identify its
24 production by Bates numbers. If Defendant has yet to complete its production on this
25 category, then it must do so no later than **August 4, 2014**.

26
27 ³ On February 28, 2014, Defendant’s counsel represented that these documents exist, stating
28 “We produced what is readily available invoices. Documents and distributors would be with those
documents in Illinois.” (ECF No. 101-20 at 24.) This does not answer the question as to whether
Defendant can produce invoices from and payments to the dealers and distributors, or a report
reflecting the information contained in those documents.

1 Further, if Defendant cannot complete an electronic production for this category
2 of documents, then the August 4, 2014 sworn affidavit shall also set forth in detail:
3 (1) all reasons why Defendant cannot complete such a production; (2) Defendant's
4 policies and procedures for the storage and destruction of electronically stored
5 information during the relevant time period for the documents requested; (3) whether,
6 where, and using what computer program(s) invoices from and payments to dealers and
7 distributors from whom Defendant purchased HME products or a summary spreadsheet
8 containing such information ever existed electronically; (4) whether Defendant can
9 electronically regenerate invoices from and payments to dealers and distributors from
10 whom Defendant purchased HME products or a summary spreadsheet containing such
11 information; and (5) if invoices from and payments to dealers and distributors from
12 whom Defendant purchased HME products or a summary spreadsheet containing such
13 information ever existed electronically, then a detailed explanation of why and when
14 such information was lost or destroyed.

15 Finally, Plaintiff contends that Defendant failed to produce: (1) orders to,
16 invoices from and communications with suppliers identified in Defendant's
17 interrogatory responses, and any other suppliers that provided parts compatible with
18 HME products to Defendant; and (2) documents concerning the design, manufacture
19 or development of parts compatible with HME products. For purposes of the January
20 27, 2014 Order, Defendant represented to Judge McCurine that "RFT counsel will ask
21 RFT to search for responsive documents, including those that are electronically stored."
22 (ECF No. 101-15 at 14.) Again, the evidence before the Court is insufficient to
23 determine whether Defendant's counsel failed to take such action in response to the
24 January 27, 2014 Order.⁴ As such, the Court does not conclude that Defendant violated
25 the January 27, 2014 Order on this issue.

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28 ⁴ Exclusive of the communications requested, Defendant's counsel appears to have represented
that the other documents requested exist, stating "they are within the documents that were maintained
either in the warehouse or in a file cabinet." (ECF No. 101-20 at 28-30.)

1 However, Defendant does not address this purported discovery failure in its
2 Opposition. As a result, by **August 4, 2014**, Defendant's counsel is ordered to provide
3 Plaintiff's counsel with a sworn affidavit from Defendant made under the penalty of
4 perjury concerning its document production of (1) orders to, invoices from and
5 communications with suppliers identified in Defendant's interrogatory responses, and
6 any other suppliers that provided parts compatible with HME products to Defendant;
7 and (2) documents concerning the design, manufacture or development of parts
8 compatible with HME products. With respect to these categories of documents, the
9 affidavit shall identify the Bates numbers for the documents produced and make a
10 detailed showing as to whether adequate searches were conducted in response to the
11 January 27, 2014 Order, including an explanation of the search terms, custodians,
12 computer drives, or other locations searched.

13 Further, for any responsive documents that were not produced on the basis that
14 they reside in Defendant's Illinois warehouse, the affidavit shall also state whether such
15 documents exist electronically. If the documents exist electronically, then they must
16 be produced electronically no later than **August 4, 2014**. However, if an electronic
17 production cannot be completed, then the August 4, 2014 sworn affidavit with respect
18 to these issues shall set forth in detail: (1) any and all reasons why Defendant cannot
19 complete such a production; (2) Defendant's policies and procedures for the storage
20 and destruction of electronically stored information during the relevant time period for
21 the documents requested; (3) whether, where, and using what computer program(s) the
22 categories of documents requested ever existed electronically; (4) whether Defendant
23 can electronically regenerate such documents; and (5) if such documents ever existed
24 electronically, then a detailed explanation of why and when such information was lost
25 or destroyed.

26 Defendant's overall response the arguments made by Plaintiff is that Defendant
27 cannot be in violation of the January 27, 2014 Order because it is obsolete.
28 Defendant's reasons for unilaterally deeming the Order obsolete appear to include

1 (1) its subsequent meet and confer efforts with Plaintiff, (2) its continued rolling
2 production of documents despite the burden involved, (3) its offers to make its
3 warehouse of documents in Illinois available to Plaintiff, (4) the fact that this case is
4 no longer before Judge McCurine, and (5) the fact that this discovery dispute and
5 others have been raised before other magistrate judges subsequent to January 27, 2014.
6 Critical here, however, is that Defendant never sought or received relief from or a
7 modification of that order so as to deem it obsolete. The Order still governs this case.

8 In addition, Defendant overstates the reasonableness of its offers to make its
9 warehouse of documents available for review. The record does not support its
10 suggestion that the documents discussed above (or even a substantial portion thereof)
11 may reside in the warehouse. Instead, Defendant has made overly general, and
12 sometimes inconsistent, representations about which documents responsive to
13 Plaintiff's requests are housed in the warehouse in Illinois. In its December 11, 2013
14 letter to Judge McCurine, RTF states that it has produced certain documents to
15 Plaintiff, including financial statements, and that "***all other responsive documents*** have
16 been made available for review and inspection as they are maintained in the usual
17 course of business." (ECF No. 125-11 at 3, emphasis added.) In that same letter, RTF
18 asserts that the documents in the warehouse "are responsive ***to the 70 Requests*** for
19 Production." (*Id.*) Yet in response to Judge McCurine's January 13, 2014 Order that
20 Defendant specify the documents or files requested by Plaintiff that are available for
21 review in RTF's warehouse, Defendant identified only documents within repair files
22 and invoices, including invoices for sales and loans of refurbished HME products.
23 (ECF No. 125-14.) In the parties' February 28, 2014 meet and confer, Defendant
24 clarified that documents responsive to Plaintiff's request for communications with
25 dealers would not be in the boxes at the warehouse. (ECF No. 101-20 at 23-24.) But
26 in its instant Opposition to Plaintiff's Motion for Sanctions, Defendant again asserts
27 that the documents in the warehouse are responsive to "the 70 Requests for
28 Production." (ECF No. 125 at 13, quoting RTF's December 11, 2013 letter.)

Moreover, for those documents that might reside at the warehouse, Defendant fails to make a sufficient showing that its offers of access to a warehouse of documents put Defendant in compliance with Federal Rule of Civil Procedure 34 with respect to those documents. *See, e.g., Ultratech, Inc. v. Tamarach Scientific Co.*, No. 03cv3235, 2005 WL 40074, *3 (N.D. Cal. Jan. 5, 2005) (“producing documents as they are maintained in storage is not as the documents are kept in the ‘usual course of business’”); *Armor Screen Corp. v. Storm Catcher, Inc.*, No. 07cv81091, 2009 WL 291160, *2 (S.D. Fla. Feb. 5, 2009) (“Rule 34 is generally designed to facilitate discovery of relevant information by preventing ‘attempt[s] to hide a needle in a haystack by mingling responsive documents with large numbers of nonresponsive documents’”).

As discussed in further detail below, Plaintiff shall be awarded expenses under Federal Rule of Civil Procedure 37 resulting from Defendant’s violations of the January 27, 2014 Order. Defendant fails to meet its burden of showing there is substantial justification or other circumstances before the Court making an award of reasonable expenses unjust.

C. Plaintiff Argues Defendant Failed to Perform Electronic Searches Sufficient to Satisfy the January 27, 2014 Order

In addition to the categories of documents discussed above, the January 22, 2014 letter addressed the following nine categories of documents:

1. All e-mails and other communications regarding the “HM Electronics IQ Structural Failures” document published by RFT;
2. Documents concerning the factual support for RFT’s quality and durability claims;
3. Documents concerning the creation, receipt, use, publication and distribution of the “HM Electronics IQ Structural Failures” document published by RFT;
4. Documents concerning the tests and analyses depicted in the HME Electronics IQ Structural Failures report;

- 1 5. Communications between RFT and any third party regarding HME (i.e.
- 2 customers, suppliers, vendors, dealers, testing facilities, competitors);
- 3 6. All communications with and invoices from LS Research;
- 4 7. All product comparison documents, and e-mails concerning the same;
- 5 8. Documents supporting RFT's representations regarding post-warranty repair
- 6 rates and costs for HME products; and
- 7 9. Communications with the dealers and distributors.

8 As to each of these items, Defendant represented in the January 22, 2014 joint letter
9 that it would undertake further searches for responsive documents. The January 27,
10 2014 Order required Defendant to complete the outstanding document production with
11 respect to these categories of documents (as well as those discussed in II.B. *supra*) by
12 February 10, 2014.

13 Plaintiff argues, and Defendant does not dispute, that by February 4, 2010, the
14 parties had agreed that Defendant would conduct broad-based ESI searches using
15 twenty-two agreed upon search terms. Plaintiff argues that the Court should conclude
16 that Defendant breached this agreement because Defendant did not produce any
17 documents resulting from such ESI searches.⁵ As these searches were a means by
18 which Defendant would comply with the January 27, 2014 Order, Plaintiff seeks to
19 hold Defendant in contempt for not conducting the searches.

20 Defendant does not address whether it conducted the broad-based ESI searches
21 using the twenty-two agreed upon search terms. Instead, Defendant argues in anecdotal
22 and broad brush terms that "RFT has conducted multiple diligent electronic searches"
23 and "has sought to produce the outstanding documentation requested by HME to this
24 best of its abilities." (ECF Nos. 125 at 6-7; 125-28.) From this, the Court concludes
25 that Defendant failed to conduct broad-based ESI searches using the twenty-two agreed
26 upon search terms.

27
28 ⁵ Plaintiff also provides additional bases for believing that responsive electronic documents
should exist in Defendant's files.

1 However, Defendant's failure to conduct the broad-based ESI searches does not
 2 constitute a clear violation of the January 27, 2014 Order warranting Rule 37 sanctions.
 3 While the parties may have agreed that this was the best way to put the outstanding
 4 document production to rest, the Court is not persuaded on the record before it that
 5 Defendant had sufficient notice that its failure to perform the agreed upon searches
 6 would violate the Court's Order. Further, the record before the Court does not give rise
 7 to the conclusion that the parties had worked out all the details required for Defendant
 8 to conduct the searches. For example, the record does not indicate whether the parties
 9 agreed on details such as any cost sharing, the custodians to be searched, or whether
 10 a third party vendor should be utilized.

11 In sum, the Court **DENIES** without prejudice Plaintiff's request for sanctions
 12 arising from deficiencies in Defendant RFT's electronic production because the record
 13 does not sufficiently show that purported failures constitute violations of the January
 14 27, 2014 Order. However, the parties are hereby ordered to finalize their twenty-two
 15 search term agreement on or before **July 17, 2014**, and absent leave of Court,
 16 Defendant shall complete its ESI searches using the twenty-two agreed upon search
 17 terms on or before **August 4, 2014**.⁶

18 **III. Expenses Awarded Under Federal Rule of Civil Procedure 37**

19 The Court has determined that the appropriate remedy for Defendant's discovery
 20 violations discussed in II.B., *supra*, is an award of reasonable expenses, including
 21 attorneys' fees, caused by Defendant's failure to comply with of the January 27, 2014
 22 Order. *See* Fed. R. Civ. P. 37(b)(2)(C). Reasonable attorneys' fees are generally
 23 calculated based on the traditional "lodestar" method. *Camacho v. Bridgeport Fin.,*
 24 *Inc.*, 523 F.3d 973, 978 (9th Cir.2008). Under the lodestar method, the Court
 25 determines a reasonable fee by multiplying "the number of hours reasonably expended
 26 on the litigation" by "a reasonable hourly rate." *Hensley v. Eckerhart*, 461 U.S. 424,

27 ⁶ The Court takes no position as to which categories of documents the twenty-two search term
 28 agreement pertained to, nor should this order be construed as altering the scope of the twenty-two
 search term agreement reached by the parties.

1 433 (1983). The lodestar figure is presumptively reasonable. *Cunningham v. County*
 2 *of Los Angeles*, 879 F.2d 481, 488 (9th Cir. 1988).

3 “This Circuit requires that courts reach attorneys’ fee decisions by considering
 4 some or all of twelve relevant criteria set forth in *Kerr v. Screen Extras Guild, Inc.*, 526
 5 F.2d 67 (9th Cir. 1975).” *Quesada v. Thomason*, 850 F.2d 537, 539 (9th Cir. 1988).
 6 The *Kerr* factors are (1) the time and labor required; (2) the novelty and difficulty of
 7 the questions involved; (3) the skill requisite to perform the legal service properly;
 8 (4) the preclusion of other employment by the attorney due to acceptance of the case;
 9 (5) the customary fee; (6) whether the fee is fixed or contingent; (7) time limitations
 10 imposed by the client or the circumstances; (8) the amount involved and the results
 11 obtained; (9) the experience, reputation, and ability of the attorneys; (10) the
 12 “undesirability” of the case; (11) the nature and length of the professional relationship
 13 with the client; and (12) awards in similar cases. *Id.* at 539 n.1. *See also Hensley*, 461
 14 U.S. at 434. The court must “provide a concise but clear explanation of its reasons for
 15 the fee award.” *Hensley*, 461 U.S. at 437.

16 **A. The Lodestar Calculation: Reasonable Rate**

17 Fee applicants have the burden of producing evidence that their requested fees
 18 are “in line with those prevailing in the community for similar services by lawyers of
 19 reasonably comparable skill, experience and reputation.” *Camacho*, 523 F.3d at 980.
 20 Once a fee applicant presents such evidence, the opposing party “has a burden of
 21 rebuttal that requires submission of evidence . . . challenging the accuracy and
 22 reasonableness of the . . . facts asserted by the prevailing party in its submitted
 23 affidavits.” *Id.*

24 Plaintiff seeks to carry its initial burden by submitting a declaration (ECF No.
 25 180) attesting to counsel’s reputation, education, and experience, as well as its basis
 26 for contending the fees charged are within the standard in this market for cases of this
 27 type and complexity handled by reputable large law firms. Ms. Callie A. Bjurstrom is
 28 a Partner in Pillsbury Winthrop Shaw Pittman LLP’s intellectual property litigation

1 practice, the leader of Pillsbury's trade secret team and a trial lawyer with over 25 years
2 of experience. The hourly rate charged for Ms. Bjurstrom is \$607.50. Ms. Michelle
3 A. Herrera is an attorney with Pillsbury's intellectual property practice with more than
4 13 years of experience. The hourly rate charged for Ms. Herrera is \$472.50. Plaintiff
5 represents that the hourly rates sought for both Ms. Bjurstrom and Ms. Herrera have
6 already been reduced by 10% because Plaintiff receives a 10% professional discount.

7 Plaintiff's counsel's declaration does not meet its initial burden. "To inform and
8 assist the court in the exercise of its discretion, the burden is on the fee applicant to
9 produce satisfactory evidence – *in addition to the attorney's own affidavits* – that the
10 requested rates are in line with those prevailing in the community for similar services
11 by lawyers of reasonably comparable skill, experience and reputation." *Blum v.*
12 *Stenson*, 465 U.S. 886, 896, n.11 (1984) (emphasis added). Nevertheless, the Court
13 may consider Plaintiff's counsel's declaration together with awards in similar cases and
14 its own knowledge and familiarity with the Southern District of California legal market
15 in setting a reasonable hourly rate. *See Ingram v. Oroudjian*, 647 F.3d 925, 928 (9th
16 Cir. 2011).

17 Defendant cites *Brighton Collectibles, Inc. v. Coldwater Creek Inc.*, No.
18 06cv1848, 2009 WL 160235, *4 (S.D. Cal. Jan. 20, 2009) as a comparable case. In
19 *Brighton*, the claims arose under the Copyright Act and Lanham Act, and the court
20 awarded \$550 per hour in attorney's fees for attorney with 25 years of experience.
21 Defendant argues that Plaintiff's counsel should not be given an comparable award
22 because this case has not advanced to trial, as the *Brighton* case did. The Court is not
23 persuaded.

24 Defendant further argues that Plaintiff's counsel's rate should be reduced for
25 engaging in top heavy billing. Defendant argues counsel should have tasked a junior
26 associate or a paralegal to conduct rudimentary tasks, such as performing legal research
27 or contacting the Court regarding the discovery disputes at issue. The Court disagrees.

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1 The Court is persuaded that there were significant cost advantages to having Ms.
 2 Herrera handle Plaintiff's sanctions motion. Ms. Herrera was personally involved in
 3 all of the meet and confer efforts leading up to the January 27, 2014 Order. The long
 4 history, breadth, and seriousness of the issues addressed in the motion are additional
 5 factors that support having an experienced attorney handle the motion. Further, when
 6 the parties place calls to chambers, there is an expectation that the call be placed by
 7 counsel with sufficient knowledge of the case. Finally, having analyzed the time
 8 entries in the context of the reams of argument and evidence at issue, the Court finds
 9 that Ms. Herrera's time entries demonstrate she exercised billing judgment.

10 The Court concludes that Plaintiff's requested rates are reasonable in light the
 11 Court's own knowledge and experience with the legal market in the Southern District
 12 of California, including awards in similar cases, and evidence of customary fees for
 13 complex litigation, the 10% discount applied, and counsel's experience, reputation, and
 14 skill.

15 **B. The Lodestar Calculation: Reasonable Hours**

16 "By and large, the [district] court should defer to the winning lawyer's
 17 professional judgment as to how much time he was required to spend on the case."
 18 *Moreno v. City of Sacramento*, 534 F.3d 1106, 1112 (9th Cir. 2008). "[W]here the
 19 plaintiff achieved only limited success, the district court should award only that amount
 20 of fees that is reasonable in relation to the results obtained." *Hensley v. Eckerhart*, 461
 21 U.S. 424, 440 (1983).

22 Plaintiff requests fees and costs in the total amount of \$30,449.25 based on 63.3
 23 hours of work. Plaintiff contends that the work related to the instant motion for
 24 sanctions included:

- 25 • Reviewing RFT's documents produced to determine completeness;
- 26 • Corresponding with RFT's counsel regarding RFT's failure to produce
- 27 documents, and conferring with the Court's law clerk regarding the same;

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- 1 • Preparing a letter brief to the Court regarding RFT's production
- 2 deficiencies;
- 3 • Preparing for and participating in meet and confers with RFT's counsel
- 4 regarding RFT's production deficiencies;
- 5 • Conducting legal research regarding issues relevant to the Sanctions
- 6 Motion;
- 7 • Drafting the Sanctions Motion, the supporting pleadings and declaration,
- 8 and preparing the exhibits;
- 9 • Reviewing and analyzing RFT's opposition to the Sanctions Motion, and
- 10 evidence submitted in support thereof;
- 11 • Conducting legal research relevant to HME's reply brief in support of the
- 12 Sanctions Motion; and
- 13 • Drafting the reply brief, supporting declaration and evidence in support
- 14 of the same.

15 (ECF No. 180 at 3-4. *See also* ECF Nos. 101-2 at 4-5, 128-1 at 4-5, 184-1 at 2.) The
 16 June 25, 2014 declaration of Plaintiff's counsel states, "Where a time entry on any
 17 particular day included work on matters other than the Sanctions Motion, those tasks
 18 were not included in calculating the amount of fees requested herein." (*Id.* at 3.)

19 The Court concludes that during the period February 10, 2014 through April 21,
 20 2014, Plaintiff incurred reasonable attorneys' fees for work performed by Ms. Herrera
 21 and Ms. Bjurstrom resulting from Defendant's failure to comply with the January 27,
 22 2014 Order. However, the Court finds that only approximately half of the discovery
 23 deficiencies complained of constitute Rule 37 violations.

24 Defendant argues that Plaintiff's counsel's time should be reduced to reflect its
 25 vagueness and the fact that counsel engaged in block billing. However, Plaintiff's
 26 counsel sufficiently addressed Defendant's concern that Plaintiff is seeking to recover
 27 both compensable and non-compensable time by providing descriptions for time spent

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1 **only** in connection with the sanctions motion.⁷ Further, given the number and
 2 sweeping nature of the discovery disputes raised by the sanctions motion, the Court
 3 rejects Defendant's suggestion that Plaintiff's records must be so specific so as to
 4 separate out time spent on each discovery dispute with Defendant. Plaintiff provides
 5 sufficient detail for the Court to evaluate the reasonableness of the time spent by
 6 counsel on the sanctions motion.

7 Nevertheless, the Court agrees that the time submitted should be reduced to
 8 reflect Plaintiff's limited success. While the records are sufficiently detailed to support
 9 an award of expenses, the time entries submitted inextricably intertwine the recoverable
 10 and nonrecoverable time spent on the discovery disputes at issue in Plaintiff's motion
 11 for sanctions. Having reviewed and considered the time records, the content of papers
 12 filed in support of Plaintiff's motion, the breadth of the discovery deficiencies raised
 13 and limited success of Plaintiff's motion, the Court concludes that a 50% reduction of
 14 the time spent fairly and fully compensates Plaintiff for fees incurred as a result of
 15 Defendant's Rule 37 violations.

16 Based on the foregoing discussion, and having reviewed the submissions
 17 regarding fees incurred as a result of Defendant's violations of the January 27, 2014
 18 Order, Plaintiff is awarded the following reasonable expenses and fees: (1) \$14,009.62
 19 for Ms. Herrera's time spent (29.65 hours at \$472.50 per hour); and (2) \$1,215.00 for
 20 Ms Bjurstrom's time (2 hours at \$607.50 per hour).⁸ Thus, the total amount in
 21 expenses awarded under Rule 37 is \$15,224.62.

22 The Court declines to issue sanctions beyond this award of expenses as the Court
 23 finds that the amount of the award is sufficient to deter future misconduct and
 24 compensate Plaintiff for its losses related to violations of the January 27, 2014 Order.

26 ⁷ Defendant cites February 25, 2014 as its example of Plaintiff attempting to collect non-
 27 compensable time. To refute this accusation, Plaintiff's counsel submitted a declaration that states,
 28 "I have reviewed my time entry in this case on February 25, 2014. On that date, I billed 8.2 hours of
 time for work related to this case. In my prior declaration filed on June 25, 2014 (Doc. No. 180), I
 allocated .30 hours of this time to work related to HME's Sanctions Motion." (ECF No. 184-1.) This
 lends further support to the Court's finding the Plaintiff's counsel is only seeking fees related to the
 sanctions motion.

⁸ This represents a 50% reduction in the hours submitted to the Court.

1 **IV. Conclusion**

2 For the reasons stated above, Plaintiff's motion for sanctions pursuant to Federal
3 Rule of Civil Procedure Rule 37 (ECF No. 101) is **GRANTED IN PART**. As a Rule
4 37 sanction, Defendant shall pay Plaintiff **\$15,224.62** by **August 4, 2014**, which
5 constitutes Plaintiff's reasonable expenses caused by Defendant's violations of the
6 January 27, 2014 Order. Further, Defendant is **ORDERED** to immediately cure the
7 failures outlined in II.B. above, and in no event later than **August 4, 2014**. Defendant
8 shall complete and provide Plaintiff with the sworn affidavits as ordered in II.B. above
9 no event later than **August 4, 2014**. Plaintiff's request for a schedule of prospective
10 fines is **DENIED** without prejudice to renewal should Defendant fail to comply with
11 this Order by **August 4, 2014**. Finally, the parties shall finalize their twenty-two search
12 term agreement on or before **July 17, 2014**, and absent leave of Court, Defendant shall
13 complete its twenty-two search term document production on or before **August 4,**
14 **2014**.

15 **IT IS SO ORDERED.**

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17 DATED: July 3, 2014

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19 JILL L. BURKHARDT
20 United States Magistrate Judge
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